Alberta

Freedom To Create. Spirit To Achieve.

Consolidated Financial Statements

of the Government of Alberta

Annual Report
2008–2009

Government of Alberta

Consolidated Financial Statements of the Province of Alberta

Year ended March 31, 2009

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are a consolidation of ministry consolidated financial statements, which themselves are a consolidation of the financial statements of departments, regulated funds, Provincial agencies, Crown-controlled corporations and SUCH sector organizations, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, regional health authorities, and other health boards. A listing of these organizations is provided in Schedule 16 of the financial statements.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board as authorized by the President of Treasury Board pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, regional health authorities and health boards from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. Under the *Fiscal Responsibility Act*, the Audit Committee must report publicly to the Executive Council on the progress made in eliminating the accumulated debt. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Jay G. Ramotar, P. Eng.
Deputy Minister of Treasury Board

Doug Lynkowski, CA
Controller

Edmonton, Alberta
June 24, 2009

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Province of Alberta as at March 31, 2009 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Government of Alberta and are prepared on its behalf by the Ministry of Treasury Board management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2009 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Original Signed by Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
June 24, 2009

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Consolidated Statement of Operations

Year Ended March 31, 2009

	2009		2008
	Budget	Actual	Actual
		In millions	
Revenues (Note 5 and Schedule 1)			
Income taxes	$ 12,388	$ 12,960	$ 12,966
Other taxes	3,770	3,641	3,573
Non-renewable resource revenue	11,709	11,915	11,024
Transfers from Government of Canada	3,795	4,185	3,048
Net income from commercial operations (Schedule 7)	2,465	2,211	2,331
Net investment (loss) income (Note 12)	2,011	(1,919)	2,414
Premiums, fees and licences	1,822	1,991	2,062
Other	783	805	751
Revenues for fiscal plan purposes	38,743	35,789	38,169
Increase in equity in Crown-controlled SUCH sector organizations (Schedule 8)		38	156
Revenues for financial statement purposes		35,827	38,325
Expenses by function (Note 5, Schedules 2 and 3)			
Health	13,461	13,107	12,286
Education	9,315	9,410	8,886
Social services	3,418	3,418	3,117
Transportation, communications and utilities	2,497	2,436	2,306
Agriculture, resource management and economic development	2,141	2,394	1,912
Protection of persons and property	1,382	1,412	1,293
Regional planning and development	1,068	1,005	755
Recreation and culture	655	620	538
Housing	619	676	538
Environment	483	414	345
General government	1,916	1,541	1,398
Debt servicing costs	220	208	214
Pension provisions (Schedules 4 and 12)	187	2,041	2,290
	37,362	38,682	35,878
Annual (deficit) surplus (Note 5)	$ 1,381	(2,855)	2,447
Net assets at beginning of year		49,186	46,562
Reclassification of highway rehabilitation projects (Note 1(c))		-	466
Universities Academic Pension Plan (Schedule 8(a))		273	(344)
Local Authorities Pension Plan (Note 14)		(157)	-
Other (Note 15)		(173)	55
Net assets at end of year		$ 46,274	$ 49,186

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

As at March 31, 2009

	2009	2008
	In millions	
Financial assets		
Cash and temporary investments (Schedule 5)	$ 7,878	$ 5,636
Accounts and accrued interest receivable	3,538	4,730
Portfolio investments (Schedule 6)	31,903	36,115
Equity in commercial enterprises (Schedule 7)	2,345	2,262
Equity in Crown-controlled SUCH sector organizations (Schedule 8)	3,553	3,519
Loans and advances (Schedule 9)	8,380	7,163
Inventories for resale	7	22
	57,604	59,447
Liabilities		
Accounts and accrued interest payable	6,893	7,339
Unmatured debt (Note 6 and Schedule 10)	2,064	2,522
Debt of Alberta Capital Finance Authority (Schedule 11)	6,812	5,739
Pension liabilities (Schedule 12)	10,081	7,883
Other accrued liabilities (Schedule 13)	448	479
Obligations under public private partnerships (Note 7)	880	439
	27,178	24,401
Net financial assets	30,426	35,046
Non-financial assets		
Tangible capital assets (Schedule 14)	15,800	14,095
Inventories of supplies	48	45
	15,848	14,140
Net assets (Note 5)	$ 46,274	$ 49,186

Contractual obligations and contingent liabilties (Notes 8 and 9)

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31, 2009

	2009	2008
	In millions	
Annual (deficit) surplus	$ (2,855)	$ 2,447
Acquisition of tangible capital assets and inventories of supplies	(2,315)	(1,801)
Amortization of tangible capital assets and consumption of inventories of supplies	578	522
Universities Academic Pension Plan (Schedule 8(a))	273	(344)
Local Authorities Pension Plan (Note 14)	(157)	-
Other (Note 15)	(173)	42
Net gain on disposal and write-down of tangible capital assets	(3)	(3)
Proceeds on sale of tangible capital assets	32	50
(Decrease) increase in net financial assets	(4,620)	913
Net financial assets at beginning of year	35,046	34,133
Net financial assets at end of year	$ 30,426	$ 35,046

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2009

	2009	2008
	In millions	
Operating transactions		
Annual (deficit) surplus	$ (2,855)	$ 2,447
Non-cash items	2,974	2,284
	119	4,731
Decrease (increase) in receivables	1,192	(856)
(Decrease) increase in payables	(446)	755
Other	(35)	6
Cash provided by operating transactions	830	4,636
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(2,021)	(1,606)
Proceeds on sale of tangible capital assets	32	50
Cash applied to capital transactions	(1,989)	(1,556)
Investing transactions		
Purchase of portfolio investments	(14,810)	(15,653)
Disposals of portfolio investments	18,890	13,053
Loans and advances made	(3,990)	(3,774)
Repayment of loans and advances	2,645	2,835
Cash provided by (applied to) investing transactions	2,735	(3,539)
Financing transactions		
Debt retirement	(10,113)	(6,681)
Debt issues	10,784	7,243
Repayment of obligations under public private partnerships	(5)	(2)
Cash provided by financing transactions	666	560
Increase in cash and temporary investments	2,242	101
Cash and temporary investments at beginning of year	5,636	5,535
Cash and temporary investments at end of year	$ 7,878	$ 5,636

The accompanying notes and schedules are part of these financial statements.

Notes to the 2008-09 Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

These financial statements include the accounts of all organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, regional health authorities, and other health boards.

A listing of these organizations is provided in Schedule 16.

(b) Method of Consolidation

The accounts of government sector entities, except those designated as commercial enterprises, are consolidated using the full consolidation method. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

The accounts of Provincial agencies designated as commercial enterprises and Crown-controlled SUCH sector organizations are accounted for on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to these entities. Under the modified equity method, the accounting policies of consolidated entities are not adjusted to conform with those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated (see Note 13).

Schools, colleges, technical institutes and some Provincial agencies have year ends that are other than March 31. Transactions of these organizations that have occurred during the period to March 31, 2009, and that significantly affect the consolidation, have been recorded.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting, except for revenues related to surface material leases and land disturbance charges for mineral surface leases which are recorded on a cash basis. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

Corporate income tax revenue is accrued when instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

Personal income tax is recognized on an accrual basis based on an economic estimate of the various components of personal income tax for the fiscal year. Gross personal income tax for the taxation year is a key component of the estimate for the fiscal year.

Note 1 (continued)

The Provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are deferred and included in accounts payable. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Payments received prior to meeting this criterion are included in accounts payable until the resources are used for the purpose specified.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs, including grants for capital purposes and grants to Crown-controlled SUCH sector organizations from government sector entities. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liabilities, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 12 provides additional information on the components of pension liabilities.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions. The pension costs of Crown-controlled SUCH sector organizations are recorded as expenses in each organization's financial statements. Therefore, the pension costs are reflected in the Consolidated Statement of Operations as "Increase in equity in Crown-controlled SUCH sector organizations".

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is also recorded in the appropriate expense function.

Note 1 (continued)

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, loans that government sector entities have made to Crown-controlled SUCH sector organizations, and inventories for resale at the year end.

Cash and temporary investments are valued at the lower of cost or fair value, on an aggregate basis.

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Realized gains and losses on disposals of these investments are included in calculating the net operating results for the year. If an investment loses value that is other than a temporary loss, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Equity in Crown-controlled SUCH sector organizations represents the net assets of these organizations. Net assets include the assets less the liabilities, including deferred contributions, deferred capital contributions, and the related unamortized deferred capital contributions (see Schedule 8).

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at their net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Debentures included in unmatured debt are recorded at their face amount less net unamortized discount, which includes issue expenses and hedging costs.

Liabilities also include:

- all financial claims payable by the government at the year end, including payables to Crown-controlled SUCH sector organizations,
- estimates of the present value of the government's obligations for future pension contributions and/or benefits under defined benefit pension plans for current and former provincial and other public sector employees, and certain current and former Members of the Legislative Assembly, including deferred adjustments,
- the government's obligation to provide future funding to school boards to enable them to repay the principal portion of their debentures to the Alberta Capital Finance Authority,
- estimates of the government's liabilities for site remediation and reclamation, and
- accrued employee vacation entitlements.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and inventories of supplies.

Tangible capital assets of commercial enterprises and Crown-controlled SUCH sector organizations are included in the Consolidated Statement of Financial Position within equity in commercial enterprises and equity in Crown-controlled SUCH sector organizations, respectively. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included on the Consolidated Statement of Financial Position.

Note 1 (continued)

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight-line basis over the periods expected to benefit from their use (see Schedule 14). The annual amortization costs are allocated to the functions of the government that employ those assets and reported on the Consolidated Statement of Operations.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense on derivative contracts are recorded as investment income or debt servicing costs. Gains and losses from derivative contracts, which are designated as hedges of market risks for purposes of hedge accounting, are recognized in the same period as the gains and losses of the specific assets and liabilities being hedged. Derivative contracts not designated as hedges for purposes of hedge accounting are recorded at fair value (see Note 4).

The estimated amounts receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of the net operating results for the year.

Public Private Partnership

A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not for profit partners that meets clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying agreements. Agreements that transfer substantially all the risks and rewards of ownership of the assets to the Province are classified as capital leases and are accounted for as follows:

- the capital asset value and the corresponding liabilities are recorded at the net present value of the minimum lease payments discounted using the Province's borrowing rate for long term debt at the time of signing the P3 agreement,
- during construction, the capital asset (classified as work in progress) and the corresponding liability are recorded based on the estimated percentage of completion, and
- amortization is accounted for on a straight-line basis over the estimated useful life and commences when the asset is in service.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Note 1 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, health transfers and Canada social transfer entitlements, royalties derived from non-renewable resources, pension liabilities, and alternative investments. The nature of the uncertainty in these items arises from several factors such as:

- the effect on accrued income taxes of the verification of taxable income,
- the effect on accrued entitlements of health transfers and Canada social transfer from changes in the base allocations which are primarily a result of updated personal and corporate tax information or from new entitlements with little historical experience,
- the effect of valuation of alternative investments compared to what is ultimately realized,
- the effect on accrued pension obligations of actual experience compared to assumptions,
- the effect on accrued royalties of the receipt of revised production data and reassessments,
- the effect on asset backed commercial paper investments of ultimate fair value compared to current estimates.

Personal income tax revenue, totalling $8,708 million (2008: $8,271 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 6.5% (2008: 9.5%).

Corporate income tax revenue, totalling $4,252 million (2008: $4,695 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments. The Province records corporate income tax revenue as instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments.

Alternative investments of $2,284 million (2008: $3,305 million), see Schedule 6, are subject to measurement uncertainty as the fair value may differ significantly from the values that would have been used had a ready market for these investments existed.

Pension liabilities of $10,081 million (2008: $7,883 million), see Schedule 12, are subject to measurement uncertainty because a Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits.

Natural gas and by-products royalty, totalling $5,834 million (2008: $5,199 million), see Schedule 1, is subject to measurement uncertainty due to statistical analysis of industry data, such as allowable costs incurred by royalty payers, production volumes and royalty rates, in the estimation of natural gas and by-products royalty revenue. Based on historical data, natural gas and by-products revenue could increase or decrease by $175 million.

For projects from which synthetic crude oil and bitumen royalties are paid and the project has reached payout, the royalty rate used to determine the royalties is based on the average price of West Texas Intermediate crude oil in Canadian dollars for the calendar year. Royalty rates will start at 25% of net profits when oil is priced at $55 per barrel or less, and increase to a maximum of 40% of net profits when oil is priced at $120 per barrel or more. The price used to estimate the royalties for production in January, February and March 2009 was $57.55 per barrel. If the price of bitumen exceeds $63 per barrel, then the change in royalties will be significant. Payout is defined at the first date at which the cumulative revenue of a project first equals the cumulative cost of the project.

Note 1 (continued)

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

Reclassification of Highway Rehabilitation Projects

During the year ended March 31, 2008, the Province changed the way it recognizes highway repaving upgrade projects. Previously all highway repaving activities were expensed as incurred. These upgrade projects are now considered betterments and are capitalized. As the Province was only able to reasonably determine the costs of these projects for the previous seven years, a cumulative opening adjustment of $466 million was made to Tangible capital assets and Net assets.

NOTE 2 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Due to their short term nature, the fair values of cash and temporary investments, accrued interest, receivables, payables and other accrued liabilities are estimated to approximate their book values.

The methods used to determine the fair values of temporary and portfolio investments are explained in the following paragraphs:

Public fixed-income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of alternative investments including absolute return strategy investments, investments in limited partnerships, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Because quoted market prices are not readily available for alternative and private investments and real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's (the Authority) current cost of borrowing. Fair values of some of the other loans and advances, including those made under the authority of the *Agriculture Financial Services Act,* are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability. The fair value of unmatured debt and debt of the Authority is an approximation of its fair value to the holder.

Note 2 (continued)

The fair value of derivative contracts relating to portfolio investments is included in the fair value of portfolio investments. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

> Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Asset Management

The investments that the Province holds are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk and market risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4).

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund), which also includes money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund and the Alberta Heritage Scholarship Fund are managed to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science and engineering, and to selected students.

The General Revenue Fund also holds a portion of the Province's investments. General Revenue Fund investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters, natural gas rebates and settlements with First Nations.

(b) Liability Management

The objective of the Province's liability management program is to achieve the lowest possible cost on its unmatured debt (see Schedule 10). In order to achieve this objective, the Province manages four financial risks: interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance to their terms.

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, liabilities, indices, interest rates or currency rates. The Province uses derivative contracts to enhance investment return, manage exposure to interest rate and foreign currency risks, and for asset mix management purposes. Associated with these instruments are credit risks that could expose the Province to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is insignificant in relation to the notional principal amount. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Province limits its credit exposure by dealing with counterparties with good credit ratings.

The following is a summary of the fair values and maturity schedules of the Province's derivative contracts by type:

	Maturity			Contract	Net
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount [(a)(c)]	Fair Value [(b)(c)]
				In millions	
Interest rate swap contracts	16%	25%	59%	$ 13,227	$ (116)
Forward foreign exchange contracts	99%	0%	1%	3,342	(104)
Credit default swap contracts	3%	56%	41%	6,116	(102)
Cross-currency interest rate swaps	36%	36%	28%	1,016	(39)
Equity and bond index swaps and futures	87%	2%	11%	6,839	223
Total 2009				$ 30,540	$ (138)
Total 2008				$ 32,007	$ (42)

(a) The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). Credit exposure is limited by dealing with counterparties believed to have good credit rating (A+ or greater).

(b) The method of determining the fair value of derivative contracts is described in Note 2.

(c) Includes derivatives of Alberta Treasury Branches with a contract notional amount of $6,283 million and a net fair value of $131 million. The exposure to credit risk on these derivatives of $241 million is reduced by entering into collateral agreements with counterparties of $104 million leaving a residual credit exposure on derivatives of $137 million.

NOTE 5 BUDGET

The budget amounts were tabled in the Legislature on April 22, 2008. This table uses the same grouping of financial assets and liabilities as the budget.

	2009		2008
	Budget	Actual	Actual
		In millions	
Financial assets			
Heritage Fund external investments	$ 16,710	$ 13,838	$ 16,412
Self-supporting lending organizations [(a)]	8,776	9,235	7,950
Capital Account [(b)]	5,973	6,974	7,472
Alberta Sustainability Fund [(c)]	7,653	9,848	7,653
Endowments and other funds [(d)]	3,768	3,208	3,783
Debt Retirement Account (Note 6)	1,170	1,175	1,794
Other financial assets	9,984	9,773	10,864
	54,034	54,051	55,928
Liabilities			
Pension liabilities (Schedule 12)	8,245	10,081	7,883
Self-supporting lending organizations [(a)]	7,997	8,424	7,251
Accumulated debt (Note 6)	1,160	1,160	1,784
Liabilities for government-owned capital	664	880	439
Accounts and interest payable and other liabilities	6,065	6,633	7,044
	24,131	27,178	24,401
Net financial assets of government sector entities	29,903	26,873	31,527
Tangible capital assets and inventories of supplies	15,927	15,848	14,140
Net assets of government sector entities	45,830	42,721	45,667
Pension liabilities (Schedule 12)	8,245	10,081	7,883
Net assets for fiscal plan purposes	$ 54,075	52,802	53,550
Pension liabilities (Schedule 12)		(10,081)	(7,883)
Equity in Crown-controlled SUCH sector organizations		3,553	3,519
Net assets for financial statement purposes		$ 46,274	$ 49,186

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Capital Account was established to provide funding for the capital plan. Under the Province's fiscal framework, funds can be deposited into the Capital Account in one year to pay for capital projects.

(c) The Alberta Sustainability Fund was established to help protect operating and capital spending from short term declines in revenue and to fund the costs of emergencies, disasters, natural gas rebates and settlements with First Nations.

(d) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Energy Innovation Fund, Climate Change Emissions Management Fund and Alberta Enterprise Corporation.

Note 5 (continued)

The following table compares the actual results with the budget.

	2009		2008
	Budget [a]	Actual	Actual [a]
		In millions	
Revenues for fiscal plan purposes (Schedule 1)	$ 38,743	35,789	38,169
Expenses (Schedules 2 and 3)	37,362	38,682	35,878
	1,381	(2,893)	2,291
Adjustment for pension provisions (Schedule 4)	187	2,041	2,290
	1,568	(852)	4,581
Withdrawals from the Sustainability Fund [b]	-	852	-
Adjusted annual surplus for fiscal plan purposes	$ 1,568	-	4,581
Adjustment for withdrawals from the Sustainability Fund		(852)	-
Adjustment for pension provisions (Schedule 4)		(2,041)	(2,290)
Increase in equity in Crown-controlled SUCH sector organizations (Schedules 1 and 8)		38	156
Annual (deficit) surplus for financial statement purposes		$ (2,855)	$ 2,447

(a) Budget numbers have been restated to reflect reporting of external investment management fees as an expense instead of as a reduction to revenue. This increases both revenue and expense by $172 million. Actual revenue and expense for 2007-08 has been increased by $156 million.

(b) The *Fiscal Responsibility Act* permits withdrawals from the Sustainability Fund when there are declines in non-energy revenue.

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Effective April 1, 2005, the *Fiscal Responsibility Act* requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2008-09, the Province complied with the Act.

Accumulated Debt

The table below shows the balance of accumulated debt at March 31, 2009.

	2009	2008
	In millions	
Unmatured debt (Schedule 10)	$ 2,064	$ 2,522
Funding obligation for school board debentures (Schedule 13)	204	256
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(1,108)	(994)
Accumulated debt at end of year	$ 1,160	$ 1,784

Note 6 (continued)

In addition, Note 5 shows that funds amounting to $1,175 million (2008: $1,794 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2009		2008
	Budget	Actual	Actual
	In millions		
Accumulated debt at end of year	$ 1,160	$ 1,160	$ 1,784
Funds available for debt repayment	1,170	1,175	1,794
Accumulated debt less funds set aside	$ (10)	$ (15)	$ (10)

NOTE 7 OBLIGATIONS UNDER PUBLIC PRIVATE PARTNERSHIPS

The Province has entered into contracts for the design, finance, build and maintenance of the following public private partnerships: Anthony Henday - South East Edmonton Ring Road, Stoney Trail - North East Calgary Ring Road, Anthony Henday - North West Edmonton Ring Road and Alberta Schools Alternative Procurement.

The details of the 30 year contracts are as follows:

	Anthony Henday - South East Edmonton Ring Road (a)	Stoney Trail - North East Calgary Ring Road	Anthony Henday - North West Edmonton Ring Road	Alberta Schools Alternative Procurement (b)
	In millions			
Contractor	Access Roads Edmonton Ltd.	Stoney Trail Group	Northwest-connect General Partnership	BBPP Alberta Schools Limited
Date contract entered into	January 2005	February 2007	July 2008	September 2008
Scheduled completion date	October 2007	October 2009	October 2011	June 2010
Date capital payments begin (c)	November 2007	November 2009	November 2011	June 2010
Progress payments during construction	$ -	$ 300	$ 500	$ -
NPV of capital payments at scheduled completion date (d)	$ 356	$ 156	$ 781	$ 706
Monthly capital payments (e)	$ 1.95	$ 0.8	$ 4.19	$ 2.42

(a) The total capital cost of the project, which was cost-shared between the Federal Government and the Province, was $431.4 million (Federal contribution of $75.0 million plus Province's contribution of the net present value of the capital payments of $356.4 million).

(b) The NPV for the capital payment stream of schools under construction of $706 million as at June 2010 is comprised of $581 million for the capital payments and a $125 million lump sum payment the Province will provide to the contractor upon completion of the project.

(c) Capital payments begin on the date specified or upon completion of the project, whichever is later.

(d) Total NPV of capital payments at scheduled completion is $1,999 million (Note 8).

(e) Monthly capital payments include interest and principal.

Note 7 (continued)

The calculation of the obligations under public private partnerships are as follows:

	Anthony Henday - South East Edmonton Ring Road	Stoney Trail - North East Calgary Ring Road	Anthony Henday - North West Edmonton Ring Road	Alberta Schools Alternative Procurement [a]	2009 Total	2008 Total
			In millions			
Obligations, beginning of year	$ 354	$ 85	$ -	$ -	$ 439	$ 252
Additions to obligations during the year	-	41	244	161	446	189
Principal payments	(5)	-	-	-	(5)	(2)
Obligations, end of year	$ 349	$ 126	$ 244	$ 161	$ 880	$ 439

(a) The $161 million obligation to the contractor and the expense recorded in these financial statements represents the net present value of the work in progress completed by March 31, 2009. Since the schools will be under the operational control of the school jurisdictions upon completion, the work in progress will be recorded as a capital asset by the school jurisdictions (see Schedule 8).

NOTE 8 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Province to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2009	2008 Restated
	In millions	
Obligations under long-term leases, contracts and programs	$ 28,395	$ 26,583
Loans and advances approved	48	63
Obligations under public private partnerships		
Operation and maintenance payments	1,272	662
Capital payments	3,462	983
	$ 33,177	$ 28,291

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Long-term Leases, Contracts and Programs

	In millions
2009-10	$ 7,755
2010-11	5,610
2011-12	3,778
2012-13	2,722
2013-14	2,242
Thereafter	6,288
	$ 28,395

Note 8 (continued)

Obligations Under Public Private Partnerships

	Operation and Maintenance Payments				
	Anthony Henday - South East Edmonton Ring Road	Stoney Trail - North East Calgary Ring Road	Anthony Henday - North West Edmonton Ring Road	Alberta Schools Alternative Procurement	Total
	In millions				
2009-10	$ 10	$ 5	$ -	$ -	$ 15
2010-11	13	10	-	3	26
2011-12	9	10	6	4	29
2012-13	9	11	12	4	36
2013-14	9	11	12	4	36
Thereafter	250	307	427	146	1,130
	$ 300	$ 354	$ 457	$ 161	$ 1,272

Obligations under Public Private Partnerships

	Capital Payments				
	Anthony Henday - South East Edmonton Ring Road	Stoney Trail - North East Calgary Ring Road	Anthony Henday - North West Edmonton Ring Road	Alberta Schools Alternative Procurement	Total
	In millions				
2009-10	$ 23	$ 4	$ -	$ -	$ 27
2010-11	23	10	-	147	180
2011-12	23	10	21	29	83
2012-13	23	10	50	29	112
2013-14	23	10	50	29	112
Thereafter	554	246	1,386	762	2,948
	669	290	1,507	996	3,462
Less amount representing interest	(320)	(134)	(726)	(290)	(1,470)
Repayments of obligations under public private partnerships	7	-	-	-	7
Total NPV of capital payments at scheduled completion date (Note 7)	$ 356	$ 156	$ 781	$ 706	$ 1,999

Note 8 (continued)

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative which is a 10 year agreement between the Province and Alberta municipalities for capital and operating purposes. Some contractual obligations of Crown-controlled SUCH sector organizations included in the above figures are supported by funding commitments of related ministries, the amounts of which are not readily determinable.

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

NOTE 9 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 13. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) Indemnities and Guarantees

Guarantees amounting to $84 million (2008: $97 million) are analyzed in Schedule 15.

The Province has pledged a $300 million indemnity as its share of funding support under the senior funding facility established under the Montreal Accord as outlined in Note 12.

(b) Contingent Liabilities

The Province, through the Credit Union Deposit Guarantee Corporation, has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2008 credit unions in Alberta held deposits totalling $15.1 billion (2007: $13.3 billion) and had assets in excess of deposits.

(c) Legal Actions

At March 31, 2009, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of 32 claims (2008: 30 claims) concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, 18 (2008: 17) have specified amounts totalling $110.6 billion (2008: $110.0 billion) plus a provision for interest and other costs that is not calculable. The other 14 claims (2008: 13 claims) have not specified any amounts.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $4.92 billion (2008: $3.6 billion).

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION

Trust funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2009, trust funds under administration were as follows:

	2009	2008 Restated
	In millions	
Public Sector Pension Plan Funds	$ 22,757	$ 27,218
Teachers' Pension Plan Funds	3,435	4,538
The Workers' Compensation Board Accident Fund	1,421	2,648
Regional Health Authorities and various health institutions construction accounts	1,733	841
Public Trustee	524	499
Special Areas Trust Account	82	82
Various Court Offices and Fines Distribution Trust	101	78
Miscellaneous trust funds	245	279
	$ 30,298	$ 36,183

NOTE 11 DEFINED BENEFIT PLANS

(a) Pension Plans

The government administers three contributory defined benefit pension plans for the current employees of government entities: the Public Service Pension Plan, Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers. Pension costs for these plans, which were funded by government sector entities during 2009 and included in expenses by function in these financial statements, amounted to $205 million (2008: $183 million).

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 53,300 active employees is 44. In addition, there are approximately 10,500 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 22,200 retirees. Benefit payments were $328 million in 2009 (2008: $304 million). Total contributions were $477 million in 2009 (2008: $425 million), of which employee contributions amounted to $225 million in 2009 (2008: $199 million).

The government guarantees payment of all benefits under the Management Employees Pension Plan arising from service before 1994.

A separate pension plan fund administered by the government is maintained for each pension plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

At December 31, 2008, the Public Service Pension Plan reported a deficiency of $1,188 million (2007: deficiency of $92 million), the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $7 million (2007: a surplus of $2 million), and the Management Employees Pension Plan reported a deficiency of $569 million (2007: a deficiency of $84 million). The extrapolation of unfunded liabilities to March 31, 2009 is reflected in Schedule 12.

Note 11 (continued)

(b) Long Term Disability Income Continuance Plans

The government also administers two long term disability income continuance plans. As at March 31, 2009, these plans taken together reported an actuarial deficiency of $34.6 million (2008: surplus of $1.6 million). At March 31, 2009, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

NOTE 12 ASSET-BACKED SECURITIES

The Canadian market for third party or non-bank sponsored asset-backed commercial paper ("ABCP") suffered a liquidity disruption in mid-August 2007, following which a group of market participants including major investors, banks, asset providers, dealers, and third-party sponsors, agreed to work collectively to restructure this market segment. This agreement, which came to be known as the Montreal Accord ("the Accord") was finalized on January 21, 2009. The ABCP subject to the Accord were restructured into new longer-term floating rate notes that more closely matched the maturities of the underlying assets.

At March 31, 2009, the Province, through its investments in the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Foundation for Medical Research Endowment Fund, and the Alberta Cancer Prevention Legacy Fund incurred write-downs. Included in Net investment loss on the Consolidated Statement of Operations of $1,919 million are write-downs amounting to $45 million (2008: $161 million) of which $2 million (2008: $5 million) relates to ABCP subject to the Accord and the balance of $43 million (2008: $156 million) relates to other asset-backed securities. The write-down of other asset-backed securities relates to three structured investment vehicles (2008: six) with a market value at March 31, 2009 of $nil (2008: $86 million). As of March 31, 2009, the remaining estimated fair value of the Province's investments in asset-backed securities was $120 million (2008: $124 million).

Alberta Treasury Branches, which is accounted for on the modified equity basis, also incurred write-downs on ABCP of $225 million (2008: $253 million) of which $203 million (2008: $243 million) relates to ABCP subject to the Accord. These write-downs are included in Net income from commercial operations on the Consolidated Statement of Operations. As at March 31, 2009, the remaining estimated fair value of these investments in ABCP was $702 million (2008: $890 million).

The University of Alberta and the University of Calgary, both of which are accounted for on the modified equity basis, also incurred write-downs on ABCP totalling $44 million (2008: $58 million) of which $42 million (2008: $57 million) relates to the ABCP subject to the Accord. These write-downs are included in Increase in equity in Crown-controlled SUCH sector organizations on the Consolidated Statement of Operations. As at March 31, 2009, the remaining estimated fair value of these investments in ABCP was $131 million (2008: $180 million).

Note 12 (continued)

The Province's holdings in ABCP subject to the Accord at March 31, 2009 are as follows:

	Cost	Write-down 2008	Write-down 2009	Write-down Total	Included in Financial Statement Line Item	Remaining Estimated Fair Value
				In millions		
Endowments and other funds [a]	$ 63	$ 5	$ 2	$ 7	Net investment loss	$ 59
Alberta Treasury Branches	$ 1,001	$ 243	$ 203	$ 446	Net income from commercial operations	$ 629
The University of Alberta and the University of Calgary	$ 227	$ 57	$ 42	$ 99	Increase in equity in Crown-controlled SUCH sector organizations	$ 126

(a) Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Science and Engineering Research Endownment Fund, Alberta Heritage Foundation for Medical Research Endowment Fund and Alberta Cancer Prevention Legacy Fund.

A senior funding facility was also established as part of the Accord to help investors and asset providers to achieve a stable and effective restructuring agreement. The participants of this facility are the governments of Canada, Quebec, Alberta and Ontario. The Province has pledged a $300 million indemnity as its share of funding support.

Although the Montreal Accord restructuring successfully closed in January 2009, there remains continued uncertainty regarding the amount and timing of cash flows and the value of the assets that underlie the new investment structure. Consequently, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to our financial results. The current economic slowdown in North America could have a significant impact on the valuation of the underlying assets, which could ultimately impact the value of the notes currently held.

NOTE 13 FUTURE CHANGES IN ACCOUNTING POLICIES

Method of Consolidation

The Public Sector Accounting Board has issued standards that require Crown-controlled SUCH sector organizations to be accounted for using the full consolidation method commencing on or before the 2008-09 fiscal year. In January 2009, the Public Sector Accounting Board extended the transition period for an additional year. In the transition period now extended to March 31, 2009, these Crown-controlled organizations are allowed to be accounted for using the modified equity basis of accounting (see Note 1(b)). Had Crown-controlled SUCH sector organizations been fully consolidated with government sector entities at March 31, 2009, Net assets of the Province would have increased by approximately $14.3 billion (2008: $12.1 billion) and Annual deficit would have decreased by approximately $2.2 billion (2008: Annual surplus would have increased by approximately $2.5 billion).

NOTE 14 LOCAL AUTHORITIES PENSION PLAN

In 2009, the Province recorded the liability for its pension obligation as an employer for organizations that are controlled by the Province. This includes government sector entities and Crown-controlled SUCH sector organizations employees in the Local Authorities Pension Plan. As a result, the Province's opening Net assets have been decreased by $157 million.

NOTE 15 OTHER ADJUSTMENTS TO NET ASSETS

The reconciliation of other adjustments to Net assets is as follows:

	2009	2008
	In millions	
Other adjustments to net assets		
Transfer of infrastructure assets (Schedule 14(f))	$ -	$ 11
Accumulated unrealized (losses) gains (Schedules 7 and 8)	(191)	42
Other	18	2
	$ (173)	$ 55

NOTE 16 COMPARATIVE FIGURES

Certain 2008 figures have been reclassified, where necessary, to conform to 2009 presentation.

Schedules to the 2008-09 Consolidated Financial Statements

REVENUES — **Schedule 1**

	2009		2008
	Budget (Note 5)	**Actual**	**Actual**
		In millions	
Income taxes			
Personal income tax	$ 8,614	$ 8,708	$ 8,271
Corporate income tax	3,774	4,252	4,695
	12,388	12,960	12,966
Other taxes			
Education property tax	1,450	1,466	1,393
Tobacco tax	890	828	845
Fuel tax	775	719	751
Freehold mineral rights tax	318	261	247
Insurance taxes	263	293	265
Alberta tourism levy	74	74	72
	3,770	3,641	3,573
Non-renewable resource revenue			
Natural gas and by-products royalty	5,684	5,834	5,199
Synthetic crude oil and bitumen royalty	3,402	2,973	2,913
Bonuses and sales of Crown leases	868	1,112	1,128
Crude oil royalty	1,601	1,800	1,655
Rentals and fees	140	160	159
Coal royalty	14	36	14
Royalty tax credit	-	-	(44)
	11,709	11,915	11,024
Transfers from Government of Canada			
Health transfers	1,604	2,051	1,355
Canada social transfer	1,121	1,208	866
Agriculture support programs	333	284	171
Other	737	642	656
	3,795	4,185	3,048
Net income from commercial operations			
Lottery operations	1,516	1,512	1,615
Liquor operations	680	684	678
Other	269	15	38
	2,465	2,211	2,331
Net investment (loss) income	2,011	(1,919)	2,414
Premiums, fees and licences			
Health care insurance premiums	752	759	979
Motor vehicle licences	365	373	361
Crop and hail insurance premiums	171	209	146
Energy Resources Conservation Board levies	109	109	91
Other	425	541	485
	1,822	1,991	2,062
Other	783	805	751
Revenues for fiscal plan purposes	$ 38,743	35,789	38,169
Increase in equity in Crown-controlled SUCH sector organizations (Schedule 8)		38	156
Revenues for financial statement purposes		$ 35,827	$ 38,325

EXPENSES BY MINISTRY

Schedule 2

	2009		2008
	Budget (Note 5)	Actual	Actual
		In millions	
Program expenses			
Offices of the Legislative Assembly	$ 91	$ 87	$ 86
Ministries			
Health and Wellness	13,230	12,881	12,062
Education	5,848	5,897	5,616
Advanced Education and Technology	3,425	3,431	3,232
Transportation	2,199	2,246	2,052
Seniors and Community Supports	1,914	1,844	1,728
Agriculture and Rural Development	1,010	1,317	832
Children and Youth Services	1,098	1,093	973
Finance and Enterprise	1,175	1,054	1,022
Employment and Immigration	920	975	845
Infrastructure	964	758	826
Municipal Affairs	691	705	507
Housing and Urban Affairs	574	626	508
Solicitor General and Public Security	583	579	515
Culture and Community Spirit	553	524	443
Sustainable Resource Development	375	485	480
Justice	523	442	378
Energy	403	393	293
Environment	403	332	264
Service Alberta	295	284	284
Tourism, Parks and Recreation	248	240	247
Aboriginal Relations	117	141	94
Treasury Board	68	42	38
Executive Council	30	29	23
International and Intergovernmental Relations	29	28	26
Provision for capital cost escalation (a)	189	-	-
	36,955	36,433	33,374
Debt servicing costs	220	208	214
Pension provisions (b)	187	2,041	2,290
	$ 37,362	$ 38,682	$ 35,878

(a) The provision for capital cost escalation has not been allocated to any ministry.

(b) Pension provisions are related to the Ministry of Education and the Ministry of Finance and Enterprise.

EXPENSES BY OBJECT

Schedule 3

	2009	2008
	In millions	
Grants		
Crown-controlled SUCH sector organizations	$ 16,575	$ 15,632
Other	11,543	10,635
Services	4,174	3,285
Salaries, wages, employment contracts and benefits	2,614	2,375
Amortization of tangible capital assets and consumption of inventories of supplies	578	522
Interest and amortization of exchange gains and losses	431	491
Valuation adjustments (Schedule 4)	2,207	2,409
Materials and supplies	245	241
Travel and communication	196	170
Pension liability funding	75	74
Other	44	44
	$ 38,682	$ 35,878

VALUATION ADJUSTMENTS

Schedule 4

	2009		2008
	Budget (Note 5)	Actual	Actual
	In millions		
Pension provisions (Schedule 12)	$ 187	$ 2,041	$ 2,290
Provision for losses, doubtful accounts, loans, guarantees and indemnities	85	145	101
Provision for employee benefits other than pensions	8	21	18
	$ 280	$ 2,207	$ 2,409

CASH AND TEMPORARY INVESTMENTS

Schedule 5

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Fixed-income securities [(a)]				
Government of Canada, direct and guaranteed	$ 1,400	$ 1,403	$ 910	$ 917
Provincial, direct and guaranteed	1,709	1,713	722	722
Corporate	2,579	2,580	2,590	2,590
Municipal	50	50	18	18
Pooled investment funds	115	115	30	31
	5,853	5,861	4,270	4,278
Cash and cash equivalents	2,025	2,025	1,366	1,366
	$ 7,878	$ 7,886	$ 5,636	$ 5,644

(a) Fixed-income securities had an average effective market yield of 0.6% per annum (2008: 2.1% per annum). All (2008: all) of the securities had terms to maturity of less than one year.

PORTFOLIO INVESTMENTS

Schedule 6

	2009 Book Value	2009 Fair Value	2008 Book Value	2008 Fair Value
	In millions			
Fixed-income securities [(a)(b)]				
Government of Canada, direct and guaranteed	$ 4,406	$ 4,660	$ 4,707	$ 4,820
Provincial, direct and guaranteed	4,379	4,595	4,203	4,294
Municipal	203	209	213	217
Corporate	6,287	6,245	7,277	7,259
Pooled investment funds	4,941	4,771	6,486	6,445
	20,216	20,480	22,886	23,035
Equities				
Canadian	2,703	2,414	3,330	3,281
Foreign	2,229	2,474	3,020	3,137
Non-North American	2,858	2,459	3,312	3,184
Real estate	1,613	2,297	262	359
Alternative investments	2,284	2,311	3,305	3,972
	11,687	11,955	13,229	13,933
	$ 31,903	$ 32,435	$ 36,115	$ 36,968

(a) The majority of the Province's fixed-income securities are held by the General Revenue Fund. As at March 31, 2009, the General Revenue Fund held $14.8 billion (2008: $16.0 billion) of public fixed-income securities at cost (fair value $15.2 billion (2008: $16.2 billion)). The securities held have an average effective market yield of 3.0% (2008: 3.5%) per annum. 23% (2008: 39%) of the securities held had terms to maturity of less than one year.

(b) Fixed-income securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2009, the Heritage Fund held $4.0 billion (2008: $5.3 billion) of public fixed-income securities at cost (fair value $3.8 billion (2008: $5.2 billion)). The securities held have an average effective market yield of 7.2% (2008: 5.2%) per annum and the following term structure based on principal amount.

	2009	2008
	%	
Under 1 year	5	4
1 to 5 years	36	28
6 to 10 years	27	39
11 to 20 years	15	11
Over 20 years	17	18
	100	100

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 7

	2009	2008
	In millions	
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 2,168	$ 2,091
Total revenue	4,980	5,101
Total expense	2,769	2,770
Net revenue	2,211	2,331
Change in accumulated unrealized gains	86	14
Net transfers to departments and other adjustments	(2,205)	(2,268)
Accumulated surpluses at end of year	$ 2,260	$ 2,168
Represented by		
Assets		
Loans	$ 21,607	$ 19,448
Investments	1,339	1,370
Other	4,244	3,201
	27,190	24,019
Liabilities		
Accounts payable	705	602
Deposits [a]	23,881	21,176
Unmatured debt	57	73
Repurchase agreements	287	-
	24,930	21,851
	$ 2,260	$ 2,168
Equity in commercial enterprises at end of year		
As reported by the entities		
Alberta Treasury Branches	$ 1,759	$ 1,669
Alberta Gaming and Liquor Commission	369	378
Credit Union Deposit Guarantee Corporation	130	119
N.A. Properties (1994) Ltd.	2	2
	2,260	2,168
Subordinated debentures in support of deposit guarantees	85	94
	$ 2,345	$ 2,262

(a) The repayment of all deposits without limit, including accrued interest, is guaranteed by the Province in respect of which the Province assesses an annual deposit guarantee fee payable by Alberta Treasury Branches.

At March 31, 2009, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to $320 million (2008: $270 million).

EQUITY IN CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

Schedule 8

	2009	2008 Restated
	In millions	
Equity at beginning of year	$ 3,519	$ 3,679
Universities Academic Pension Plan [a]	273	(344)
Adjusted equity at beginning of year	3,792	3,335
Transfers from government sector entities	15,300	13,747
Other income	3,974	3,571
Total income	19,274	17,318
Total expenses	19,318	17,232
Net (loss) income	(44)	86
Contributions to endowments	82	70
Increase in equity for the year	38	156
Cumulative (decrease) increase in unrealized gain [b]	(277)	28
Equity at end of year	$ 3,553	$ 3,519
Represented by		
Assets		
Cash and temporary investments	$ 5,732	$ 2,963
Due from government sector entities	416	1,255
Investments	2,293	3,397
Work in progress [c]	161	-
Tangible capital assets	14,171	12,523
Accounts receivable and other assets	909	983
	23,682	21,121
Liabilities		
Accounts payable and accrued liabilities [a]	2,828	2,785
Debt held by government sector entities	803	905
Other liabilities and unmatured debt	461	183
Deferred contributions [d]	1,765	1,627
Deferred capital contributions [d]	3,376	2,724
Unamortized deferred capital contributions [d]	10,896	9,378
	20,129	17,602
	$ 3,553	$ 3,519
Equity as reported by schools, universities, colleges, technical institutes, regional health authorities and health boards at end of year		
Universities	$ 1,722	$ 1,703
Colleges, technical institutes and The Banff Centre	873	768
Schools	654	538
Regional health authorities and health boards	304	510
	$ 3,553	$ 3,519
Increase (decrease) in equity for the year as reported by schools, universities, colleges, technical institutes, regional health authorities and health boards		
Universities	$ (33)	$ (34)
Colleges, technical institutes and The Banff Centre	116	84
Schools	117	126
Regional health authorities and health boards	(162)	(20)
	$ 38	$ 156

Schedule 8 (continued)

(a) The opening Net asset adjustment represents the change in the employer's portion of the unfunded liability of the Universities Academic Pension Plan. Accounts payable and accrued liabilities includes $108 million (2008: $360 million) representing the universities and Banff Centre's share of the unfunded liability (net of deferred experience gains and losses) at March 31, 2009.

(b) Post Secondary Institutions, Health Authorities and Health Boards follow the principles of fair value accounting for investments. Under fair value accounting, investments classified as available for sale are measured at fair value and the change in fair value is recorded directly in net assets as unrealized gain/loss. Upon the sale or impairment of investments classified as available for sale, an amount representing realized gain/loss or impairment loss is transferred to income.

(c) The work in progress is for the Alberta School Alternative Procurement public private partnership (Note 7). Since the schools will be under the operational control of the school jurisdictions upon completion, the work in progress is recorded as a capital asset by the school jurisdictions.

(d) Crown-controlled SUCH sector organizations follow the deferral method of accounting. Restricted non-capital contributions are deferred and recognized as revenue when related expenses are incurred. Deferred contributions represent restricted non-capital contributions which remain unspent. Capital contributions, including contributions from government sector entities, are recorded as deferred capital contributions until invested in tangible capital assets. Amounts invested are then transferred to the unamortized deferred capital contributions account and recognized as revenue when the related amortization expense of the tangible capital asset is recorded.

LOANS AND ADVANCES

Schedule 9

	2009	2008
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act (a)	$ 6,822	$ 5,733
Agriculture Financial Services Act (b)	1,172	1,076
Student Loan Act	352	300
Alberta Heritage Savings Trust Fund Act	180	184
Alberta Housing Act	5	6
Farm Credit Stability Act	1	2
Financial Administration Act	11	12
	8,543	7,313
Less allowance for doubtful accounts	163	150
	$ 8,380	$ 7,163

(a) The fair value of the loans as at March 31, 2009 was $7,305 million (2008: $6,229 million). Municipal loans on average yield 5.4% (2008: 5.6%) per annum.

Interest rate contracts are used to manage exposure to fluctuations in interest rates in certain fixed rate loans and related debt (see Schedule 11) made after January 1, 2004.

As at March 31, 2009, loans to Crown-controlled schools amounted to $214 million (2008: $266 million).

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from estimated financial markets for such loans. Agricultural loan portfolios on average yield 6.0% (2008: 6.1%) per annum.

UNMATURED DEBT

Schedule 10

	2009				2008	
	Effective Rate [a]	Modified Duration [b]	Book Value [a]	Fair Value [a]	Book Value [a]	Fair Value [a]
	%	years		In millions		
Direct debt						
Canadian dollar debt						
Floating rate and short-term fixed rate [c]	0.38	0.22	$ 40	$ 40	$ 689	$ 695
Fixed rate long-term [d]	6.64	4.00	1,950	2,167	1,757	1,988
	6.52	3.93	1,990	2,207	2,446	2,683
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			74	106	76	113
			$ 2,064	$ 2,313	$ 2,522	$ 2,796

(a) Book value represents the amount the Province owes. Fair value approximates market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater a bond's modified duration, the more impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

(d) Canadian dollar fixed rate debt includes $679 million (2008: $679 million) held by the Canada Pension Plan Investment Fund.

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term debt maturing in 2009-10 and thereafter, are as follows:

	In millions
2009-10	$ 113
2010-11	448
2011-12	450
2012-13	271
2013-14	114
Thereafter	668
	$ 2,064

DEBT OF ALBERTA CAPITAL FINANCE AUTHORITY

Schedule 11

	2009		2008	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
	In millions			
Alberta Capital Finance Authority				
Canadian dollar fixed rate debt [(a)]	$ 6,812	$ 7,174	$ 5,739	$ 5,889
Effective rate per annum		6.8%		5.8%

(a) Canadian dollar fixed rate debt includes $1,447 million (2008: $1,706 million) held by the Canada Pension Plan Investment Fund and has the characteristics indicated in Schedule 10 note (a).

Interest rate contracts are used to manage exposure to fluctuations in interest rates in certain fixed rate loans (see Schedule 9) and related debt made after January 1, 2004.

The Province invests in the Consolidated Cash Investment Trust Fund which held $240 million of Alberta Capital Finance Authority debt on March 31, 2009.

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2009-10 and thereafter, are as follows:

	In millions
2009-10	$ 2,391
2010-11	150
2011-12	250
2012-13	500
2013-14	328
Thereafter	3,193
	$ 6,812

PENSION LIABILITIES

Schedule 12

In 1992, there was pension plan reform resulting in pre and post 1992 arrangements for several pension plans.

Pension liabilities are as follows:

	2009 Pension Liabilities	2009 Pension Provisions (Schedule 4)	Restatement of Opening Liabilities	2008 Pension Liabilities
		In millions		
Liabilities for current and former employees and Members of the Legislative Assembly				
Teachers' Pension Plan [(a)]	$ 8,778	$ 1,923	$ -	$ 6,855
Public Service Management (Closed Membership) Pension Plan [(b)]	650	(49)	-	699
Universities Academic Pension Plan [(c)]	266	61	-	205
Members of the Legislative Assembly Pension Plan [(e)]	50	-	-	50
Local Authorities Pension Plan [(d)]	186	29	157	-
Management Employee Pension Plan [(b)]	35	15	-	20
Provincial Judges and Masters in Chambers Pension Plan [(f)]	4	-	-	4
	9,969	1,979	157	7,833
Liabilities for employees of organizations outside the government sector				
Special Forces Pension Plan [(c)]	112	62	-	50
	$ 10,081	$ 2,041	$ 157	$ 7,883

(a) The *Teachers' Pension Plans Act* requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan. The Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plan. The extrapolated value of this obligation at March 31, 2009 is $8,478 million (2008: $6,776 million) due to a change in the discount rate from 7.25% to 5.0%. In addition, for service after August 1992, the Province funds $300 million (2008: $79 million) which represents 50% of the unfunded liability, any current service costs and certain cost of living benefits.

(b) The Public Service Management (Closed Membership) Pension Plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992.

The Management Employee Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 7.2% of pensionable earnings shared between employees and employers until December 31, 2018. Current services costs are funded by employers and employees. The Province guarantees payment of all benefits arising from service before 1994.

The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province, approved provincial agencies and public bodies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totalling 2.92% of pensionable earnings shared equally between employees and employers until December 31, 2020. Current service costs are funded by employers and employees. There is no pension liability because the Plan is in a surplus position.

Schedule 12 (continued)

(c) Under the *Public Sector Pension Plans Act*, the Province has a liability for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province and the balance of the required contributions is equally split between employees and employers, as determined by the plan valuation, until December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, until December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

(d) The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 3.43% of pensionable earnings shared equally between employees and employers until December 31, 2020. The pension obligation of $186 million includes a $157 million restatement made to opening net assets (Note 14) and the 2009 provision of $29 million.

(e) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date.

(f) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2009 are 7.00% of capped salary for plan members and 16.16% of capped salary for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

Pension liabilities are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services and actuarial extrapolations performed at December 31, 2008 or March 31, 2009. The assumptions used in the valuations and extrapolations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Schedule 12 (continued)

Information about the economic assumptions used in the most recent actuarial extrapolations for accounting purposes is provided below for each plan. Some valuations are currently underway and updated information is not available. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Salary Escalation Rate %	Inflation Rate %	Discount Rate %
Teachers' Pre-92 Pension Plan	August 31, 2008	3.50	2.25	5.00
Public Service Management (Closed Membership) Pension Plan	December 31, 2005	-	2.25	5.00
Universities Academic Pension Plan	December 31, 2006	3.00	2.70	6.70
Local Authorities Pension Plan	December 31, 2007	3.50	2.25	6.30
Public Service Pension Plan	December 31, 2005	3.50	2.25	7.00
Members of the Legislative Assembly Pension Plan	March 31, 2006	-	2.25	5.00
Management Employees Pension Plan	December 31, 2006	3.50	2.25	6.75
Provincial Judges and Masters in Chambers Pension Plan	December 31, 2005	3.50	2.25	6.50
Special Forces Pension Plan	December 31, 2006	3.50	2.25	6.50

A separate pension plan fund is maintained for each pension plan except for the Teachers' Pre-92 Pension Plan and the Members of the Legislative Assembly Pension Plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

OTHER ACCRUED LIABILITIES

Schedule 13

	2009	2008
	In millions	
Future funding to school boards to enable them to repay debentures issued to Alberta Capital Finance Authority	$ 204	$ 256
Vacation entitlements	241	219
Guarantees, indemnities and remissions	3	4
	$ 448	$ 479

TANGIBLE CAPITAL ASSETS

Schedule 14

	General Capital Assets						Infrastructure Assets					2009 Total	2008 Total
	Land (a)	Buildings	Computer hardware and software	Equipment (b)	Other (c)	Sub Total	Land improvements (d)	Provincial highways, roads and airstrips	Bridges	Dams and water management structures (e)	Sub Total		
Estimated Useful Life	Indefinite	10-50 yrs	3-10 yrs	3-40 yrs	3-50 yrs		10-40 yrs	50 yrs	50 yrs	25-80 yrs			
							In millions						
Historical Cost													
Beginning of year	$ 1,452	$ 3,441	$ 881	$ 553	$ 250	$ 6,577	$ 231	$ 10,973	$ 1,213	$ 1,249	$ 13,666	$ 20,243	$ 18,174
Additions	94	170	169	76	43	552	31	1,494	126	35	1,686	2,238	1,723
Transfers (f)	-	-	-	-	-	-	-	-	-	-	-	-	11
Disposals including write-downs	(7)	(26)	(13)	(12)	(4)	(62)	-	(7)	(2)	-	(9)	(71)	(131)
Cumulative Adjustment (g)	-	-	-	-	-	-	-	-	-	-	-	-	466
	1,539	3,585	1,037	617	289	7,067	262	12,460	1,337	1,284	15,343	22,410	20,243
Accumulated Amortization													
Beginning of year	-	1,615	524	208	125	2,472	129	2,958	297	292	3,676	6,148	5,781
Amortization expense	-	77	86	45	16	224	5	231	27	18	281	505	463
Effect of disposals including write-downs	-	(13)	(15)	(4)	(9)	(41)	-	(1)	(1)	-	(2)	(43)	(96)
	-	1,679	595	249	132	2,655	134	3,188	323	310	3,955	6,610	6,148
Net Book Value at March 31, 2009	$ 1,539	$ 1,906	$ 442	$ 368	$ 157	$ 4,412	$ 128	$ 9,272	$ 1,014	$ 974	$ 11,388	$ 15,800	
Net Book Value at March 31, 2008	$ 1,452	$ 1,826	$ 357	$ 345	$ 125	$ 4,105	$ 102	$ 8,015	$ 916	$ 957	$ 9,990		$ 14,095

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(d) Land improvements include parks development and grazing reserves.

(e) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

(f) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities. In the 2007-08 fiscal year, the Province assumed responsibility for an additional $11 million of arterial highways in the City of Edmonton which has been recorded as an adjustment to Net assets.

(g) During the year ended March 31, 2008, the Province decided to change the way it recognizes highway repaving upgrade projects. Previously, all highway repaving activities were expensed as incurred. These upgrade projects are now considered betterments and are capitalized. As the Province was only able to reasonably determine the costs of these projects for the last seven years, a cumulative opening adjustment of $466 million was made to Tangible capital assets and Net assets.

GUARANTEES

Schedule 15

	2009	2008	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 50	$ 51	Ongoing
Agriculture Financial Services Act	14	19	Ongoing
Alberta Housing Act	13	16	2011
Student Loan Act	7	11	Ongoing
Farm Credit Stability Act [(a)]	-	1	2011
University of Calgary	1	1	2016
	85	99	
Less estimated liability (Schedule 13)			
Guarantees	1	2	
	$ 84	$ 97	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act*, and
- *Student Loan Act*.

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

(a) The expiry date shown is the latest expiry date for guaranteed loans under the program. No new program guarantees are being issued under the *Farm Credit Stability Act*.

LISTING OF ORGANIZATIONS

Schedule 16

The financial statements of the following organizations are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly
Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner

Departments

Aboriginal Relations
Advanced Education and Technology
Agriculture and Rural Development
Children and Youth Services
Culture and Community Spirit
Education
Employment and Immigration
Energy
Environment
Executive Council
Finance and Enterprise
Health and Wellness
Housing and Urban Affairs
Infrastructure
International and Intergovernmental Relations
Justice
Municipal Affairs
Seniors and Community Supports
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks and Recreation
Transportation
Treasury Board

Regulated Funds

Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Risk Management Fund
Alberta School Foundation Fund

Schedule 16 (continued)

Regulated Funds (continued)

Climate Change and Emissions Management Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Lottery Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Alcohol and Drug Abuse Commission
Alberta Capital Finance Authority
Alberta Enterprise Corporation [(a)]
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Investment Management Corporation
Alberta Livestock and Meat Agency [(b)]
Alberta Local Authorities Pension Plan Corporation
Alberta Pensions Administration Corporation
Alberta Petroleum Marketing Commission
Alberta Research Council Inc.
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Alberta Utilities Commission
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
Energy Resources Conservation Board
Human Rights, Citizenship and Multiculturalism Education Fund
Informatics Circle of Research Excellence Inc. (iCORE Inc.)
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board
Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority
The Government House Foundation
The Wild Rose Foundation

Schedule 16 (continued)

Non-commercial Crown-controlled Corporation

Alberta Insurance Council

The following organizations are accounted for on the modified equity basis in these financial statements:

Commercial Enterprises

Alberta Gaming and Liquor Commission
Alberta Treasury Branches
Credit Union Deposit Guarantee Corporation
N.A. Properties (1994) Ltd.

Commercial Crown-controlled Corporation

Gainers Inc

Non-commercial Crown-controlled Corporation

Safety Codes Council[c]

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS [c]

School Jurisdictions

Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
FFCA Charter School Society
Foothills School Division No. 38
Fort McMurray Roman Catholic Separate School District No. 32
Fort McMurray School District No. 2833

Schedule 16 (continued)

School Jurisdictions (continued)

Fort Vermilion School Division No. 52
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28
Grande Prairie Public School District No. 2357
Grande Yellowhead Regional Division No. 35
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2
Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Moberly Hall School Society
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25
Prairie Rose Regional Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Schedule 16 (continued)

Universities

Athabasca University
The University of Alberta
The University of Calgary
The University of Lethbridge

Colleges

Alberta College of Art and Design
Bow Valley College
Grande Prairie Regional College
Grant MacEwan College
Keyano College
Lakeland College
Lethbridge Community College
Medicine Hat College
Mount Royal College
NorQuest College
Northern Lakes College
Olds College
Portage College
Red Deer College

Technical Institutes and The Banff Centre

Northern Alberta Institute of Technology
Southern Alberta Institute of Technology
The Banff Centre For Continuing Education

Regional Health Authorities and Other Health Boards

Alberta Cancer Board
Alberta Mental Health Board
Aspen Regional Health Authority
Calgary Health Region
Capital Health
Chinook Regional Health Authority
David Thompson Regional Health Authority
East Central Health
Health Quality Council of Alberta
Northern Lights Health Region
Peace Country Health
Palliser Health Region

(a) The Alberta Enterprise Corporation was created by the *Alberta Enterprise Corporation Act* which was proclaimed and came into force on December 5, 2008.

(b) The Alberta Livestock and Meat Agency was incorporated on January 29, 2009.

(c) In transition period (see Note 1 (b)).

GLOSSARY

Absolute return strategies: Absolute return strategies encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, macroeconomic strategies and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Alternative investments: investments considered outside of the traditional asset class of stocks, bonds and cash. Examples include hedge funds, private equities, private income, timberland and asset-backed commercial paper.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The major types of investments that make up a portfolio, usually expressed in percentages.

Bid price: The price a buyer is willing to pay for a security.

Call provision: An option included in a bond that gives the bond issuer the right to buy back all or part of a bond issue prior to maturity.

Counterparty risk: The risk that the other party in an agreement will default.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Deferred capital contribution: An organization, which follows the deferral method of accounting, has a deferred capital contribution when an external party or a government sector entity contributes funds to the organization for the purchase of a tangible capital asset and the asset has not been purchased at the financial statement date. When the asset is purchased, the amount contributed is transferred to an account called unamortized deferred capital contributions.

Deferred contribution: An organization, which follows the deferral method of accounting, has a deferred contribution when an external party contributes funds to the organization for a specific purpose (other than for a capital item) and the funds remain unspent at the financial statement date. When the funds are used for the specific purpose, the contribution is recognized as revenue.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derivative contracts: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, currency rates or credit ratings. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par or face value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging markets: The financial markets of developing economies. Examples include China and Brazil.

Fair value: The amount that an asset (or liability) could be bought or sold in a current arm's length transaction between knowledgeable, willing parties, that is, other than in a forced or liquidation sale. It is also known as market value.

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Leveraging: The use of various financial instruments or borrowed capital to increase the potential return of an investment.

Liquidity: The ability to convert an asset to cash quickly.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: The face or principal amount of a bond, typically expressed as multiples of $100 or $1,000. Bond holders receive par value for their bonds at maturity.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Private equity: An ownership interest in a privately held company.

Public equity: An ownership interest in a publicly-traded company.

Public private partnership: A legally-binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Repurchase Agreement (Repo): An agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary investment: Investments which are transitional or current in nature and generally capable of reasonably prompt liquidation.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unamortized deferred capital contribution: Once an organization, which follows the deferral method of accounting, uses contributed funds to purchase a tangible capital asset, the amount contributed is transferred to an account called unamortized deferred capital contributions. As the tangible capital asset is amortized, the contribution is recorded as revenue.

Unmatured debt: As defined by the *Fiscal Responsibility Act*, this term refers to the unpaid portion of debts raised under Section 58 of the *Fiscal Responsibility Act.*

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.

Government
of Alberta ■